

Message Text

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ORIGIN AID-20

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M/FRM/FM:RWHITENER

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AF:AMBASSADOR ROSS

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TO AMEMBASSY KHARTOUM IMMEDIATE

INFO USMISSION GENEVA

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E.O. 11652:N/A

TAGS: SREF, AORG (UNHCR), SU

SUBJECT: RELIEF PROGRAM SOUTH SUDAN - LOCAL CURRENCY

REF: KHARTOUM 2419

1. JAMIESON'S REQUEST FOR LOCAL CURRENCY TO ASSIST UNHCR IN BRIDGE BUILDING AND RELATED DEVELOPMENT PROJECTS WAS TURNED DOWN BY S/R LAST MAY (STATE 86757) BECAUSE IT WAS PRIMARILY DEVELOPMENTAL RATHER THAN EMERGENCY ASSISTANCE AND THEREFORE NOT APPROPRIATE USE OF S/R FUNDS.

2. ASSUMING LOCAL CURRENCY REFERENCE IS TO AID-ADMINISTERED 72 FT 745 ACCOUNT (GRANTS FOR ECONOMIC ASSISTANCE, PL 480), THESE FUNDS HAVE FOLLOWING CHARACTERISTICS:

A) THEY ARE TO BE USED FOR JOINT US/GOS AGREED ECONOMIC DEVELOPMENT PROJECTS (SEE ESPECIALLY LANGUAGE OF 104(B).

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THEY THEREFORE CANNOT BE MADE THE SUBJECT OF A DIRECT GRANT

TO ANY UNHCR PROJECTS IN SUDAN. FOR ANY AID FUNDS TO BE UTILIZED, IT WOULD REQUIRE A REQUEST FROM THE GOS THAT IT HAD PUT THE PROPOSED UNHCR PROJECTS IN ITS DEVELOPMENT BUDGET AND WAS ASKING USG TO CONTRIBUTE TO THEIR IMPLEMENTATION. THIS WOULD NECESSARILY REQUIRE AID/W CONSIDERATION IN VIEW FACT THAT AID/AFR HAS DECIDED TO RESTRICT ITS ASSISTANCE TO THE AGRICULTURE SECTOR.

B) AID POLICY REQUIRES USE OF US-OWNED LOCAL CURRENCY PLEDGED FOR COUNTRY USE TO SUPPORT JOINTLY AGREED PROJECTS OR THROUGH AGREED BUDGET SUPPORT IN THE SAME WAY THAT US DOLLAR GRANTS/LOANS ARE UTILIZED.

C) AID HAS AGREED TO JOIN COOPERATIVELY WITH GOS IN AGRICULTURAL DEVELOPMENT PROJECTS (SUCH AS PORTRAYED IN THE FY 74 CONGRESSIONAL PRESENTATION) WHICH WILL BE FURTHER DEFINED BY THE PASA TEAM DUE NEXT WEEK. AID/AFR HAS PREVIOUSLY CONSIDERED PARTICIPATION IN JUBA BRIDGE PROJECT AND GENERAL SCHOOL CONSTRUCTION AND HAS DECIDED AGAINST SUCH PROJECT ACTIVITY IN SUDAN.

D) WHEN PROJECTS RESULTING FROM (C) ABOVE ARE IMPLEMENTED, THE US-OWNED LOCAL CURRENCIES WILL BE USED AS SPARINGLY AS POSSIBLE IN ORDER MAXIMIZE THEIR SOMEWHAT UNIQUE QUALITY I.E., THEY ARE IRREPLACEABLE, SINCE NO MORE TITLE 1 SALES FOR LOCAL CURRENCY ARE ENVISAGED, AND, BEING GRANT FUNDS, THEY CAN BE USED FOR PROJECT LOCAL CURRENCY REQUIREMENTS WHICH THE GOS CANNOT WELL SUPPLY AND THE USG WILL NOT MEET THROUGH LOCAL CURRENCY PURCHASES.

3. THERE IS ANOTHER NON AID-ADMINISTERED SOURCE OF FUNDING WHICH THE EMBASSY MAY WISH TO CONSIDER IF DEEMED NECESSARY. THERE ARE ABOUT DOLLARS 3.5 MILLION EQUIVALENT IN THE 20 FT 400 ACCOUNT WHICH ARE USUALLY USED FOR ALL USG LOCAL CURRENCY EXPENSES FOR WHICH APPROPRIATION MADE. A GOS REQUEST WOULD BE REQUIRED IN THE SAME MANNER AS PARA 2 ABOVE. IN WASHINGTON AID WOULD HAVE TO REQUEST OMB TO MAKE SUCH LOCAL CURRENCIES AVAILABLE WITHOUT APPROPRIATION TO THE GOS FOR ITS PARTICIPATION IN THE UNHCR PROJECTS. WE HOLD OUT NO PROMISE THAT THIS WOULD BE OBTAINED SINCE IT WOULD HASTEN THE DAY WHEN USG LOCAL LIMITED OFFICIAL USE

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CURRENCY EXPENSES IN SUDAN WOULD HAVE TO BE MET BY US DOLLAR PURCHASES OF SUDAN POUNDS.

4. DEPT RECOGNIZES THAT SUBSTANTIAL POTENTIAL FOR MISUNDERSTANDING BY GOS EXISTS, PARTICULARLY IF JAMIESON REPORTS THAT USG HAS REDUCED COMMODITY PLEDGE BY DOLLARS

4.5 MILLION, AS INDICATED REFTEL. OUR PROBLEM IS THAT

WHILE LOCAL CURRENCY ACCOUNT DISCUSSED PARA 3 MIGHT CONCEIVABLY BE USED FOR UNHCR PROJECTS, THIS IS FINITE AND LIMITED RESOURCE. IN OUR VIEW USG AND GOS PRIORITIES,

RATHER THAN THOSE OF UNHCR, SHOULD BE GIVEN PARAMOUNT CONSIDERATION. CASEY

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